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CIA No. 4445

Mr. Robert W. Barnett
Deputy Assistant Secretary
East Asian and Pacific Affairs
Department of State
Washington, D. C.

Dear Bob:

On your request for a paper comparing the economic progress of North and South Korea, we will be glad to undertake a study which will contain statistical tables with as many comparisons as possible and a short, analytical text highlighting the important features of the economic performance of North and South Korea, particularly in the 1960's. We would be able to speak only in general terms about comparative development between now and 1971.

Our principal analyst on the Korean economy is now working on the paper on Japanese aid programs in Asia, a paper in which you have expressed interest. When he completes it, we will put him to work on the Korean paper. We hope to send you a typescript copy some time in March, with formal publication to follow.

Glad we could get together on Monday. ☐ and I profited greatly from our discussion, as usual.

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Sincerely,

/s/ ☐

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William N. Morell, Jr.
Director
Research and Reports

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6 Jan 67

MEMO FOR: Mr. Ch/E STATINTL

FROM : Mr. Morell, D/ORR

STATINTL Would you prepare a response for me to send back to Barnett on this letter. The utility of a paper of this kind in the near term seems a little obscure to me, though I don't doubt the value of it to the Department as an element in their basic understanding of the situation and perhaps in their longer-term policy planning. You might have the boys stretch their imaginations a bit to see whether or not a paper of this kind might be given even more meaningful content than Bob's letter suggests. I would not look on this job as any great tome, rather it seems to me a short, thoughtful, analytical piece with statistical table would be most helpful.

Could we have a reply for Barnett sometime in the middle of next week?

cc: EA/RR for info

gg

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January 3, 1967

Mr. William H. Morell, Jr.
~~Director~~, Research and Reports
Central Intelligence Agency
Washington, D.C.

Dear Bill:

Thank you for bringing your report "Economic Progress and Problems in North Korea" to my attention. In the normal course of events we get such fragmentary information on what is going on north of the DMZ that it seems to be truly the "hermit kingdom". For this reason analyses such as this are extremely helpful.

As is my wont, good research support from you inspires me to ask for even more. Your report quite properly interprets North Korea's economic problems and trends in the context of a Communist regime. The political factor that is of paramount importance to us, however, is its progress as compared with South Korea. The relative stagnation of the South Korean economy until the last few years as compared to the seemingly more vigorous North Korean economy has been of grave concern to us and the ROKG. We were particularly concerned about its impact on the younger generation without memories of the Communist invasion of 1950.

North Korea, of course, has a great advantage over South Korea in natural resources and in almost all other fields and its population pressure was greatly ameliorated by the mass exodus to the south. Its economic growth record also appeared to have been much better than South Korea's as indicated by the attached tables which were included in our National Policy Paper of February 19, 1965. I presume the figures for North Korea must have come from CIA sources.

The figures in the tables are mostly for 1962-63 and as such do not reflect rapid strides made in South Korea in recent years. The comparison therefore would be much less gloomy now. It would be very useful to us if your staff could make a comparative study of the economic progress of North and South Korea so far in this decade with an extrapolation of current trends to perhaps 1971, the end of South Korea's

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Second Five-Year Plan. This would very usefully outline the dimensions of the foreign policy problem we face here. A sound assessment of the relative economic strength of the two areas would also be most useful in a calculation of the bargaining counters of both sides in case negotiations looking toward eventual unification ever come into the realm of possibility.

I would appreciate hearing what you think about the possibilities and usefulness of such a study. Again let me express my thanks for your past cooperation and assistance.

Sincerely,

Robert W. Barnett
Deputy Assistant Secretary
East Asian and Pacific Affairs

Enclosure:

As stated

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